

**MINUTES OF THE  
JOINT PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE MEETING  
WEDNESDAY, FEBRUARY 4, 2009, 2:00 P.M.  
Room 445, State Capitol**

Members Present: Sen. Howard A. Stephenson, Co-Chair  
Rep. Merlynn T. Newbold, Co-Chair  
Sen. Lyle W. Hillyard  
Sen. D. Chris Buttars  
Sen. Karen W. Morgan  
Rep. Tim M. Cosgrove  
Rep. Lorie D. Fowlke  
Rep. Kevin S. Garn  
Rep. Francis D. Gibson  
Rep. Bradley G. Last  
Rep. Rebecca D. Lockhart  
Rep. Ronda Rudd Menlove  
Rep. Marie H. Poulson  
Rep. Phil Riesen

Members Absent: Rep. Gregory H. Hughes

Staff Present: Ben Leishman, Legislative Fiscal Analyst  
Patrick Lee, Legislative Fiscal Analyst  
Karen C. Allred, Secretary

Public Speakers Present: Larry Newton, Finance and Statistics Director, Utah State Office of Education  
Larry Shumway, Deputy Superintendent, Utah State Office of Education  
Patti Harrington, Superintendent, Utah State Office of Education  
Todd Hauber, Associate Superintendent, Utah State Office of Education  
Judy Park, Associate Superintendent, Utah State Office of Education

A list of visitors and a copy of handouts are filed with the Subcommittee minutes.

Co-Chair Newbold called the meeting to order at 2:22 p.m.

1. **Minutes** -- no minutes were approved from previous meetings.
2. **Committee Business** -- Analyst Ben Leishman gave an overview of the plan for the rest of our meetings. In the remaining meetings we will be reviewing and adopting the base budget

recommendations for each line item for the FY2010 budget. The committee also needs to adjust any allocations in FY2009 budget and adjust for subcommittee priorities in the FY2010 budget. Sen. Stephenson asked that the committee look at the programs funded last year with one-time money that may have an on-going impact in FY2010, so the Analysts have highlighted those in their presentations.

Mr. Leishman distributed a spread sheet as a reference for the committee of funding appropriated last year. With the action taken on the FY2009 budget, after S.B. 4 and H.B. 3 was passed, the analysts added one large reduction of over \$270 million, for FY2010. The committee will need to allocate that reduction \$270 million to programs.

### 3. **Education Budget Issues:**

- a. **Minimum School Program** -- Analyst Ben Leishmen distributed and explained to the committee the Minimum School Program Budget Brief. The Legislature has to approve the Basic Property Tax Rate, and the Analyst recommends adopting the rate of 0.001303 for FY 2010.

Sen. Stephenson questioned the confidence of the estimated rate of .001303, since it is the first time it has floated upward for a very long time, that it accurately reflects the decline. Because of the decline in the housing market, he feels there may be a decline in every district, not just the Salt Lake District, because of the down town construction. Mr. Leishman responded that we won't feel the full impact of the property devaluation until next year. He asked that Larry Newton respond to Sen. Stephenson's question.

Larry Newton, School Finance and Statistics Director, Utah State Office of Education, explained that the chart on page two in the handout, shows that the basic rate went up between 1999 and 2000, again in 2001 and 2002. There are times it fluctuates, like when major construction is going on, when values drop, but as the buildings are finished values should go up. Sen. Stephenson was more concerned with the effect of overall housing market, and doesn't think the estimated rate of .001303 reflects the drop in home values. He questioned the factors that were considered in the estimate of the Basic Tax Rate. Mr. Newton responded that the process of setting the estimated Basic Tax Rate is with the Common Data Committee, which is comprised of the Legislative Fiscal Analyst, The Governor's Office of Planning and Budget, the Utah State Office of Education, with input from the State Tax Commission. They share information and come to a concurrence of what that rate should be to generate the needed revenue. Sen. Stephenson wanted to clarify that this shows, roughly a 5 percent increase in rate, which would suggest a 5 percent decrease in values across the State, and he feels 5 percent is not realistic, guessing it should be at least 10 percent. Mr. Newton responded that this is an estimated rate, and the Tax Commission is required to set the actual rate by June of 2009 for FY2010.

Rep. Garn commented that the policy issue is that property tax is an important source of revenue to Public Education. A look at these total revenue numbers implies that we have only captured growth and have not allowed for any inflationary rate to increase the revenue from the source. This is probably a policy question that ought to be considered in this committee before making a recommendation.

Rep. Newbold commented that the chart shows that in the last 20 years we are only equalizing the same amount of dollars, but in the same time frame the total dollars spent on education has increased considerably, so we are equalizing a smaller percentage than we have ever equalized before.

Mr. Leishman continued his presentation on the Minimum School Program and explained that the Related to Basic Program includes several categorical programs often referred to as "non-WPU driven" programs which supplement the Basic School Program offered in the schools.

Rep. Newbold asked the committee if they would like the big books to put hand-outs in that were used in the past, or smaller notebooks. The committee preferred smaller notebooks.

Dr. Larry Shumway, Deputy Superintendent, Utah State Office of Education commented that the chart on page two of the Basic Rate, on the Statewide Revenue Yield column bottom line of \$273 million and connect that to the bottom line of the Minimum School Program spread sheet the Basic School Program, Total Revenue column of \$1.7 billion, what has happened over the years, is that the property tax revenue has become a smaller component of that, and the remainder is made up by income tax revenue. Income tax is actually completely equalized, it doesn't matter where it is collected, it is put into the WPU and distributed. By the rate flowing down, less of the MSP is paid for by property tax and more is paid for by income tax.

Rep. Cosgrove questioned if there was a way to identify the funds collected by one school district and going to another school district under the Capital Equalization Program created last year. Mr. Leishman responded that there is not because that is an equalized pool of property tax that the State does not collect, and is held in a county wide pool. The County Assessor distributes the funds according to a formula.

**Student Enrollment Growth --** Mr. Leishman explained the Issue Brief on Student Enrollment Growth, which is a major budget factor facing the Legislature each year. Based on student enrollment growth, there will be an additional 18,505 WPUs for FY2010. Historically, the Legislature has approved sufficient revenue to provide an increase to several non-WPU driven programs to account for student enrollment growth.

Rep. Reisen questioned if the \$74 million is adequate to cover the new students expected. Mr. Leishman responded that it was based on the programs listed in the two boxes on page two of the brief.

- b. **School Building Program** -- Analyst Ben Leishman explained the Budget Brief: School Building Program that was distributed to the committee. The School Building Program contains two sub programs that are appropriated each year, the Capital Outlay Foundation Program, and the Capital Outlay Enrollment Growth Program. During the 2008 Special Session, the ongoing amount of money within these two programs was reduced and back-filled with money to get them through the current year. In the cut for FY2009, one-time funds were reduced, which will impact the school districts that receive that funding this year.
- c. **Utah State Office of Education** -- Analyst Patrick Lee explained the Budget Brief: Utah State Office of Education that was distributed to the committee. The State Office of Education is currently divided into four separate operation areas. The table on page 1 shows the reductions taken in the Special Session 2008 (S.B. 2001) and the reductions for FY2009 taken in the 2009 General Session (H.B.3), which is a 4% net reduction, excluding \$6.8 million for non-lapsing balances. The reductions shown in the reduction columns will be ongoing reductions in FY2010.

During the subcommittee discussions regarding FY 2009 budget reductions some concern arose in regard to identifying the actual operating budget for USOE versus pass through funding for legislative initiatives. In order to take an actual proportional reduction for the USOE, it is necessary to outline the pass through programs separate from actual operating expenses. The table on page two provides that information.

Following the special session, the USOE notified the Fiscal Analyst that the process identifying students for UBSCT Remediation funding had begun in some school districts and charter schools. USOE estimates that approximately \$800,000 to \$1 million may be required to meet this anticipated need. The Subcommittee may wish to revisit the need for ongoing funding for the Utah State Instructional Materials Access Center (USIMAC) for the Utah Schools for the Deaf and the Blind.

Patti Harrington, Superintendent, Utah State Office of Education, introduced Todd Hauber, Associate Superintendent, Utah State Office of Education. Superintendent Harrington distributed a booklet titled "Agency Base Budget, Utah State Office of Education" and reviewed it with the committee. The State Office of Education exists to implement the school program as directed by the State Legislature and the Utah State Board of Education. Any programs devised in the Legislature are funded and those monies come through their office. This booklet is divided into four sections, of the four divisions of the USOE.

Rep. Newbold asked about the pie charts in the back of this section, and how the numbers are derived, and if these are budget recommendations for FY2010. Todd Hauber responded that they are the management budgets for the USOE. They are different than in the appropriations act, which are basically three programs, but here they function in a lot more detail. These charts are the overall proposed base budget for FY2010. The charts reflect the adjustments through the special session, but not adjustments for H.B.3 at the beginning of the General Session, but will be revised accordingly. Rep. Newbold asked if there was any correlation of these budgets to the worksheet the committee uses to appropriate. Mr. Hauber responded that the worksheet referred to is the Minimum School Program which is a separate appropriation outside of the State Office. The booklet shows the funds coming to the State Office and are not part of the Minimum School Program.

Rep. Last asked whether the \$21,671,000 shown for Student Achievement in the budget brief is the same as the \$22,997,000 shown in USOE's booklet. Mr. Hauber responded yes. Rep. Last asked about the "flow through" number and where the money actually goes. Mr. Hauber responded that there are several Federal programs where USOE is the State Education agency which the Federal Government works through to provide funding to the school districts. The money comes into their line item, and they disburse it to the school districts based on Federal formulas. Rep. Last asked if their administrative costs were covered in the \$21 or \$22 million referred to and the money in the "flow through" lines all goes to the programs.

Rep. Newbold asked if the money that is kept in the office, and subtracted from the "flow through" money is going to the school districts prescribed by statute or if it is arbitrary. Mr. Hauber responded that it depends on the program. Several Federal programs have allowances for administration, some are set amounts, some are percentages of the dollars.

Dr. Judy Park, Associate Superintendent, Utah State Office of Education, discussed the Data, Assessment, and Accountability section of the USOE booklet.

Sen. Buttars asked where the "flow through" data detail is and when the committee can see the detail. Mr. Hauber responded that this booklet does not contain that detail, but it can be provided to the committee upon request, or when the analysts prepare the schedule for review. Sen. Buttars asked how much are administration costs. Mr. Hauber responded that they would have to look at the details of each program. Rep. Newbold requested that Mr. Hauber meet with Sen. Buttars following the meeting. Rep. Last responded that he thinks most of these distribution charts are on-line on the State Office website. Mr. Hauber responded that this report is looking forward to FY10 and the on-line data is looking backward.

Rep. Last asked whether Digital SAMS and UTREX systems are the same as the Digital Bridge system that was being tested in his school district a few years ago. Ms. Park responded that Digital SAMS is the name of the product, Digital Bridge is the name of the company. The type of things seen in his district will be available for every district and the State level on the State website. Rep. Last asked if the data is available yet. Ms. Park responded that districts are coming on as soon as they want to come on board, eight districts are in full implementation, the others are in various stages. Rep. Last asked if all districts have to participate. Ms. Park responded that the school districts have to agree on funding it, and almost all have committed. The deadline for all throughout the State is June of 2010. Rep. Last asked about the cost. Ms. Park responded that the original cost was covered under the original \$3 million of Legislation, the ongoing cost is approximately \$5.25/student per year.

Sen. Stephenson requested Ms. Park describe how we are progressing with the on-line assessment and what assures us that the connectivity inside of schools is available. Ms. Park responded that three years ago eight percent of students participated in computer based testing. Two years ago the Legislature appropriated \$10 million and \$50 million over a couple of years. That funding allowed 50 percent of students to participate and this year 69 percent of students will be participating. UEN is working on getting funding to get adequate infrastructure to all school buildings

Todd Hauber reported on the Business Services Division section of the Booklet.

Dr. Larry Shumway reported on the Law, Legislation, and Educational Services Division, which is made up of four sections.

Superintendent Harrington commented that they have made preliminary cuts in the budget and can make those public next week.

Rep. Cosgrove thanked the State office for the hard work that they do behind the scenes so that collectively we can provide a better education for our students.

Rep. Newbold commented that the rest of the committee echoes Rep. Cosgrove's appreciation.

Rep. Gibson responded that he would appreciate knowing the specific funding reductions by line item. Superintendent Harrington responded that they are happy to provide whatever detail they would like, at any time they would like, not just in committee. Rep. Newbold responded that there are phone numbers available to the committee, so that they can ask questions whenever they need to.

Sen. Butters restated his concern for needing to know more specific administrative costs on the "flow through" items.

Rep. Newbold asked if the USOE makes goals or objectives of what they want accomplished for the upcoming year. Superintendent Harrington responded that they have a four-year strategic plan, and they renew their goals each year, which she will provide at the next meeting.

Rep. Newbold commented that the rest of the agenda items we were not able to get to today, that we will have those presented at our next meeting.

**MOTION:** Sen. Buttars moved to adjourn.

The motion passed unanimously with Sen. Hillyard and Reps. Garn, Last, Lockhart, Menlove and Riesen absent for the vote.

Co-Chair Newbold adjourned the meeting at 4:04 p.m.

Minutes were reported by Karen C. Allred, Senate Secretary

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Sen. Howard A. Stephenson, Co-Chair

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Rep. Merlynn T. Newbold, Co-Chair